

1 AN ACT concerning finance.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The State Treasurer Act is amended by
5 changing Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool. The State Treasurer may
8 establish and administer a College Savings Pool to supplement
9 and enhance the investment opportunities otherwise available
10 to persons seeking to finance the costs of higher education.
11 The State Treasurer, in administering the College Savings
12 Pool, may receive moneys paid into the pool by a participant
13 and may serve as the fiscal agent of that participant for the
14 purpose of holding and investing those moneys.

15 "Participant", as used in this Section, means any person
16 who ~~that~~ makes investments in the pool. "Designated
17 beneficiary", as used in this Section, means any person on
18 whose behalf an account is established in the College Savings
19 Pool by a participant. Both in-state and out-of-state persons
20 may be participants and designated beneficiaries in the
21 College Savings Pool.

22 New accounts in the College Savings Pool shall be
23 processed through participating financial institutions.
24 "Participating financial institution", as used in this
25 Section, means any financial institution insured by the
26 Federal Deposit Insurance Corporation and lawfully doing
27 business in the State of Illinois and any credit union
28 approved by the State Treasurer and lawfully doing business
29 in the State of Illinois that agrees to process new accounts
30 in the College Savings Pool. Participating financial
31 institutions may charge a processing fee to participants to

1 open an account in the pool that shall not exceed \$30 until
2 the year 2001. Beginning in 2001 and every year thereafter,
3 the maximum fee limit shall be adjusted by the Treasurer
4 based on the Consumer Price Index for the North Central
5 Region as published by the United States Department of Labor,
6 Bureau of Labor Statistics for the immediately preceding
7 calendar year. Every contribution received by a financial
8 institution for investment in the College Savings Pool shall
9 be transferred from the financial institution to a location
10 selected by the State Treasurer within one business day
11 following the day that the funds must be made available in
12 accordance with federal law. All communications from the
13 State Treasurer to participants shall reference the
14 participating financial institution at which the account was
15 processed.

16 The Treasurer may invest the moneys in the College
17 Savings Pool in the same manner, in the same types of
18 investments, and subject to the same limitations provided for
19 the investment of moneys by the Illinois State Board of
20 Investment. To enhance the safety and liquidity of the
21 College Savings Pool, to ensure the diversification of the
22 investment portfolio of the pool, and in an effort to keep
23 investment dollars in the State of Illinois, the State
24 Treasurer shall make a percentage of each account available
25 for investment in participating financial institutions doing
26 business in the State. The State Treasurer shall deposit
27 with the participating financial institution at which the
28 account was processed the following percentage of each
29 account at a prevailing rate offered by the institution,
30 provided that the deposit is federally insured or fully
31 collateralized and the institution accepts the deposit: 10%
32 of the total amount of each account for which the current age
33 of the beneficiary is less than 7 years of age, 20% of the
34 total amount of each account for which the beneficiary is at

1 least 7 years of age and less than 12 years of age, and 50%
2 of the total amount of each account for which the current age
3 of the beneficiary is at least 12 years of age. The State
4 Treasurer shall adjust each account at least annually to
5 ensure compliance with this Section. The Treasurer shall
6 develop, publish, and implement an investment policy covering
7 the investment of the moneys in the College Savings Pool. The
8 policy shall be published (i) at least once each year in at
9 least one newspaper of general circulation in both
10 Springfield and Chicago and (ii) each year as part of the
11 audit of the College Savings Pool by the Auditor General,
12 which shall be distributed to all participants. The Treasurer
13 shall notify all participants in writing, and the Treasurer
14 shall publish in a newspaper of general circulation in both
15 Chicago and Springfield, any changes to the previously
16 published investment policy at least 30 calendar days before
17 implementing the policy. Any investment policy adopted by the
18 Treasurer shall be reviewed and updated if necessary within
19 90 days following the date that the State Treasurer takes
20 office.

21 Participants shall be required to use moneys distributed
22 from the College Savings Pool for qualified expenses at
23 eligible educational institutions. "Qualified expenses", as
24 used in this Section, means the following: (i) tuition, fees,
25 and the costs of books, supplies, and equipment required for
26 enrollment or attendance at an eligible educational
27 institution and (ii) certain room and board expenses incurred
28 while attending an eligible educational institution at least
29 half-time. "Eligible educational institutions", as used in
30 this Section, means public and private colleges, junior
31 colleges, graduate schools, and certain vocational
32 institutions that are described in Section 481 of the Higher
33 Education Act of 1965 (20 U.S.C. 1088) and that are eligible
34 to participate in Department of Education student aid

1 programs. A student shall be considered to be enrolled at
2 least half-time if the student is enrolled for at least half
3 the full-time academic work load for the course of study the
4 student is pursuing as determined under the standards of the
5 institution at which the student is enrolled. Distributions
6 made from the pool for qualified expenses shall be made
7 directly to the eligible educational institution, directly to
8 a vendor, or in the form of a check payable to both the
9 beneficiary and the institution or vendor. Any moneys that
10 are distributed in any other manner or that are used for
11 expenses other than qualified expenses at an eligible
12 educational institution shall be subject to a penalty of 10%
13 of the earnings unless the beneficiary dies, becomes
14 disabled, or receives a scholarship that equals or exceeds
15 the distribution. Penalties shall be withheld at the time the
16 distribution is made.

17 The Treasurer shall limit the contributions that may be
18 made on behalf of a designated beneficiary based on an
19 actuarial estimate of what is required to pay tuition, fees,
20 and room and board for 5 undergraduate years at the highest
21 cost eligible educational institution. The contributions made
22 on behalf of a beneficiary who is also a beneficiary under
23 the Illinois Prepaid Tuition Program shall be further
24 restricted to ensure that the contributions in both programs
25 combined do not exceed the limit established for the College
26 Savings Pool. The Treasurer shall provide the Illinois
27 Student Assistance Commission each year at a time designated
28 by the Commission, an electronic report of all participant
29 accounts in the Treasurer's College Savings Pool, listing
30 total contributions and disbursements from each individual
31 account during the previous calendar year. As soon
32 thereafter as is possible following receipt of the
33 Treasurer's report, the Illinois Student Assistance
34 Commission shall, in turn, provide the Treasurer with an

1 electronic report listing those College Savings Pool
2 participants who also participate in the State's prepaid
3 tuition program, administered by the Commission. The
4 Commission shall be responsible for filing any combined tax
5 reports regarding State qualified savings programs required
6 by the United States Internal Revenue Service. The Treasurer
7 shall work with the Illinois Student Assistance Commission to
8 coordinate the marketing of the College Savings Pool and the
9 Illinois Prepaid Tuition Program when considered beneficial
10 by the Treasurer and the Director of the Illinois Student
11 Assistance Commission. The Treasurer's office shall not
12 publicize or otherwise market the College Savings Pool or
13 accept any moneys into the College Savings Pool prior to
14 March 1, 2000. The Treasurer shall provide a separate
15 accounting for each designated beneficiary to each
16 participant, the Illinois Student Assistance Commission, and
17 the participating financial institution at which the account
18 was processed. No interest in the program may be pledged as
19 security for a loan.

20 The assets of the College Savings Pool and its income and
21 operation shall be exempt from all taxation by the State of
22 Illinois and any of its subdivisions. The accrued earnings
23 on investments in the Pool once disbursed on behalf of a
24 designated beneficiary shall be similarly exempt from all
25 taxation by the State of Illinois and its subdivisions, so
26 long as they are used for qualified expenses. The provisions
27 of this paragraph are exempt from Section 250 of the Illinois
28 Income Tax Act.

29 The Treasurer shall adopt rules he or she considers
30 necessary for the efficient administration of the College
31 Savings Pool. The rules shall provide whatever additional
32 parameters and restrictions are necessary to ensure that the
33 College Savings Pool meets all of the requirements for a
34 qualified state tuition program under Section 529 of the

1 Internal Revenue Code (26 U.S.C. 529 52). The rules shall
2 provide for the administration expenses of the pool to be
3 paid from its earnings and for the investment earnings in
4 excess of the expenses and all moneys collected as penalties
5 to be credited or paid monthly to the several participants in
6 the pool in a manner which equitably reflects the differing
7 amounts of their respective investments in the pool and the
8 differing periods of time for which those amounts were in the
9 custody of the pool. Also, the rules shall require the
10 maintenance of records that enable the Treasurer's office to
11 produce a report for each account in the pool at least
12 annually that documents the account balance and investment
13 earnings. Notice of any proposed amendments to the rules and
14 regulations shall be provided to all participants prior to
15 adoption. Amendments to rules and regulations shall apply
16 only to contributions made after the adoption of the
17 amendment.

18 Upon creating the College Savings Pool, the State
19 Treasurer shall give bond with 2 or more sufficient sureties,
20 payable to and for the benefit of the participants in the
21 College Savings Pool, in the penal sum of \$1,000,000,
22 conditioned upon the faithful discharge of his or her duties
23 in relation to the College Savings Pool.

24 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01;
25 revised 7-3-00.)